

From: Sackler, Dr Richard [REDACTED]
Sent: 2/13/2008 6:53:11 AM
To: Sackler, Mortimer JR [REDACTED]
Subject: GS alternate strategy for the business
Importance: High

You've raised a lot of questions so here goes:

WHY DON'T WE JUST TELL OUR EXECS THAT WE ARE OUT OF THE GAME AND GO TO SALE?

1. I'm almost sure this is sub-optimal at best and a disaster at worst. It isn't the best way for the family to succeed. It is that simple.
2. If we announce we are selling to the organization, it will have serious and adverse consequences to us if we can't promptly sell, and I think that we cannot because:
 - a. I believe it will take us an unusually long time to organize the information for a sale so the usual "announce and go" sequence will work against us not for us
 - b. Risks of a busted* sale are higher now than ever before.
 - i. Just look at the credit markets and consequently the LBO markets
 - ii. Consider that the major companies are looking at the lowest share prices in a very long time. They aren't going to give us robust offers quickly
 - c. We may have to accept bids now that we would never have accepted had we prudently bided our time
 - d. We will be in a weak position to go on with the business
3. I have devised an alternate strategy and plan which I'd like to talk to you about face-to-face. I believe that you will like it a lot and will agree that it is at least as good as the "try to sell it now" strategy, and will give us options rather than remove them.
 - a. Will give us time to recreate the organization on a more effective and efficient footing.
 - i. Get a new CEO in the US and get us moving again
 - ii. Reduce headcount by hundreds which will enhance our profile more than just profit-wise, but in other ways as well including our attractiveness to buyers
 - iii. Devise a new business strategy
 - iv. Prove TRO in the marketplace
 - v. Get Targin tablets success in Europe
 - vi. Achieve other milestones
 - b. Get the family money while we strengthen our business and our sales potential
 - c. Test Goldman's abilities to get to the goal
4. Give us a way for Goldman to pressure test a 2008 sale and pre-dimension the results so it isn't a strategy of hope and luck.

I hope I have teased you into come up here today. I'm working on all of this very hard and I'm excited by the prospects.

BTW, I am now tentatively of the view that again, management has low-balled our sales numbers. I worked with Ed for an hour last night and touched on enough soft points (inventory rebuild in the trade being the most significant low-ball) that I think there is a good chance that the right net sales should be higher by ¼ billion and maybe even more. At tomorrow's Board meeting, I think we accept the spend budget and capital budget, but not the sales or profit goals.

With our bonus program, we have to force management away from reliance on sales vs budget. Right now, almost the whole bonus is paid on sales vs budget which is particularly bad way to do it when the confidence bands around our future sales are so large. We've tried this approach before and it hasn't worked well at all.

I've sent a note to Pearl asking her to be prepared to do this. Did I copy you?

Richard S. Sackler, M.D.

● [REDACTED] O
● [REDACTED] H
● [REDACTED] C
● [REDACTED]

From: Sackler, Mortimer JR
Sent: Wednesday, February 13, 2008 12:53 AM
To: Sackler, Dr Richard
Subject: Re: GS Questions

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We need to get moving on this. Every month that goes by we are losing SIGNIFICANT shareholder value. We can't lose more time trying to plan something perfect. We need to trust Goldman, meet with their most senior partners to get them involved, get them engaged, notify our most senior management and lock them in with golden handcuffs and let Goldman Sachs do their stuff. They have done this thousands of times and know far better than we do how best to do it, so it doesn't pay for us to second guess them or try and prepare something on our own and then need to redo it once they are engaged. Let's just do it together with them. They also have the incentive to get us the best possible price and will achieve that. But the longer we wait the lower the price will be as the remaining 5 years of patent life (and the multiple we will get on that) ticks away...

On 2/12/08 9:22 PM, "Sackler, Dr Richard" <[REDACTED]> wrote:

I'm developing another idea about how to proceed.

Richard S. Sackler, M.D.

* [REDACTED] O

* [REDACTED] H

* [REDACTED] C

* [REDACTED] <mailto:[REDACTED]>

From: Sackler, Mortimer JR
Sent: Tuesday, February 12, 2008 7:32 PM
To: Baker, Stuart D.; Sackler, Dr Richard; Sackler, Dr Kathe; Sackler, Jonathan
Subject: Re: GS Questions

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Regards,

Mortimer

On 2/11/08 10:12 AM, "Baker, Stuart D." <SBaker@chadbourne.com> wrote:
Dear All:

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Stuart

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